



SECTION IV

Serving Students through Financial Institutions

Background

Two-thirds of the student loans that are backed by the federal government don't come from the Office of Student Financial Assistance (OSFA). They are made by banks and other lenders and insured by guaranty agencies through the FFEL (Federal Family Education Loan) Program. OSFA gives those financial institutions rules and procedures to follow, some in great detail, and routinely checks up on them. But OSFA gets directly involved with FFEL loans only as a guarantor and collector of last resort. OSFA also works with states in developing assistance to needy students.

As with schools, the better OSFA serves financial institutions, the better they can serve students. The more closely OSFA coordinates with financial institutions, the less the whole system costs. With goals of better service and lower cost, OSFA should be working in close partnership with financial institutions.

"...I think that if OSFA could change anything, it would be being better partners with its partners. It could assist them through the maze and help them better understand how things should be done...by having OSFA work more closely with its partners, and by making sure everyone understands what's required, it will move everyone forward in a very positive way."

– Chris Crissman, task force member

In 1994, Congress instituted the William D. Ford Direct Loan Program as an alternative to the FFEL Program. The market now consists of about two-thirds FFEL and one-third Direct. Surveys show that students have bene-

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fited from the competition, and customer satisfaction ratings for both FFEL and the Direct Loan programs have improved. Competition has brought costs to students down, too.

Partnership and competition can flourish together, as they do among basketball teammates or in GM's Chevy and Pontiac divisions. OSFA's Chief Operating Officer, Greg Woods, puts it this way, "True, I am trying to make Direct Loans more competitive. But I will do all I can to allow FFEL lenders to be more competitive, too. Then schools can choose the best, and either way, the students will benefit." To improve FFEL to make it better for students, OSFA has to build the partnership.

OSFA's partners at financial institutions have many of the same complaints as those at schools: the rules are complex and dictate process instead of results; OSFA has hard-to-use systems and hard-to-get data; and there's a need for increased responsiveness. Consequently, the actions needed to build partnerships with financial institutions closely parallel those for improving the relationship with schools.

♦ *One Call Does It All*

Status

There is no single place in OSFA for a financial institution to get every question answered, any problem solved.

Actions

As with schools, OSFA should assign each segment of financial partners a customer service team with the know-how (EMP020, EMP021) and the authority to help (PAR009, PAR010). Make sure that the procedures, policies, and regulations get to schools and financial institutions in a timely manner (PAR042). Involve financial institutions in the design of everything that affects them (PAR001, PAR003) and constantly collect feedback from them to make sure service gets even better (PAR004, PAR006, EMP032). Copy the best efforts of businesses and other federal agencies (PAR041). Keep partners informed of OSFA's progress toward becoming a Performance-Based Organization (PBO) (PAR007).

OSFA should give financial institutions more and better service on-line, too. Engage them in the design (PAR005) of

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systems that gives them access to appropriate OSFA data and let them correct data when it's called for (PAR043, PAR044, PAR045). Make most transactions with financial partners electronic and allow options that better respond to their needs (PAR046).

◆ ***Sharing information to support students***

Status

OSFA does not provide enough assistance to support students who are trying to manage their student loan debt.

Actions

OSFA should provide debt management information to student borrowers in paper format, electronically by fax, and on web sites sponsored by the Department of Education (PAR037). OSFA's information systems modernization initiative will make debt counseling, information, and financial planning information available to students and their parents through an OSFA web page. To further assist borrowers, OSFA will include information on the ed.gov web site regarding both Direct Loan and FFEL consolidation options (PAR038).

Some customers are frustrated by the student aid process due to problems with language, disabilities, or a variety of other reasons. The Department recognizes its responsibility to insure that program benefits are provided so as to permit participation by people with disabilities and limited English proficiencies. There is a tremendous spirit of volunteerism across the country. In keeping with its commitment and obligation to serve these communities, OSFA will expand its use of the many community-based organizations that volunteer to assist students with application processes. OSFA will explore incentives for volunteers who assist Limited English Proficient (LEP) students, those with disabilities, and others who find the student aid process difficult (PAR040).

In cooperation with guarantors, OSFA will work to develop an electronic payment and reporting system (PAR046) to replace the current paper process. OSFA will also partner with lenders to develop a streamlined process for the electronic submission of quarterly 799

Models of Compliance Success

Agencies are discovering they can achieve the best results in terms of compliance by focusing on cooperation and prevention rather than punishment.

- ◆ The Occupational Safety and Health Administration (OSHA) initiated a pilot program to establish voluntary partnerships with companies that had the highest number of workplace injuries. Over a two-year period, this program resulted in a major reduction of workplace hazards and injuries.
- ◆ The Environmental Protection Agency (EPA) established a combination of programs involving partnerships in setting standards, consensus-based decision making, compliance assistance and prioritization, and risk assessments to meet agency environmental goals.

How they did it:

- ◆ At OSHA, the 200 companies that had the highest number of workplace related injuries within a state were offered a choice: either partner with OSHA, or face stepped-up enforcement action. All but two firms chose to partner with OSHA. OSHA gave those firms in-depth technical assistance in developing safety and health programs and placed them on a secondary list for inspections. Enforcement and fines diminished significantly. Over a two-year period these employers identified over 95,000 hazards and sixty percent of the employers achieved reduced injury and illness rates.
- ◆ EPA established partnerships with industry to voluntarily achieve agency goals. In one reinvention program, participants met and exceeded guidelines established by EPA to reduce chemical pollutants, often while achieving corporate savings. In other programs, EPA initiated a risk assessment process and is partnering with state entities to provide compliance assistance and prioritization in lieu of more costly enforcement. The need for costly enforcement has been reduced while the agency is able to meet its environmental commitments to the public.

Figure 12

These are a few models of compliance success.

reports (PAR047) and will provide lenders the option of monthly versus quarterly reporting to allow for more frequent payments of subsidized interest and special allowance payments (PAR048).

OSFA should select pilot states to incorporate their state student grant application form or process into FAFSA on the Web (PAR050).